

Legislation Text

File #: 2023-5452, **Version:** 1

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Presentation: Conceptual Economic Development Incentive Request - Performance Food Group request for tax abatement for facility expansion at 290 SE Thompson Drive; Reinhart Foodservice, LLC, applicant.

Issue/Request:

This is a conceptual presentation pursuant to the City's Economic Development Incentive Policy for the request by Performance Food Group, which operates the facility at 290 SE Thompson Drive under the company name Reinhart Foodservice, LLC (the "Company"), for proposed facility expansion at this location for additional food service production. The incentive request includes three components as discussed below.

Key Issues:

Conceptual evaluation of the use of incentives through either the Land Clearance for Redevelopment Authority (LCRA) or Chapter 100 to induce expansion at the current facility.

Background:

Developer is requesting the use of incentive in the form of:

- (1) **Sales and use tax exemption on construction materials for facility expansion** (not including sales and use tax on machinery and equipment);
- (2) **Real property tax abatement in the amount of 75% for 10 years**, on the incremental increase in value added due to facility expansion; and
- (3) **Personal property tax abatement in the amount of 75% for 10 years**, on machinery and equipment purchased for the expansion.

The Company is not requesting abatement for:

- real property taxes generated by the base value of the current property which contains the current facility;
- sales taxes paid on the purchase of machinery and equipment for the expansion.

The property is owned by Reinhart Foodservice, LLC. That company is a wholly owned subsidiary of Performance Food Group Company. The formal applicant is Reinhart Foodservice, LLC.

Impact/Analysis:

The attached slides prepared by City staff, and the attached modeling prepared by Developer, provides a summary of the impact to the City and the taxing district and the benefits to developer from the incentive request.

Timeline:

Start: Building construction in 2023

Finish: Building construction in 2025, machinery and equipment placed in service in 2025

Other Information/Unique Characteristics:

The Company can use LCRA or Chapter 100, depending upon Council guidance.

Developer used 8.5% for the net present value calculation to reflect the current market and the state of interest rates and rising construction costs.

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